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ASCS BACKGROUND INFORMATION

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PRODUCTION ADJUSTMENT PROGRAMS

As part of commodity operations, programs to help adjust production and marketing of specified farm crops, when in effect, are carried out by the Agricultural Stabilization and Conservation Service, through its State and county offices, under authorities of the Agriculture and Consumer Protection Act of 1973 and the Agricultural Adjustment Act of 1938, as amended.

The Agriculture and Consumer Protection Act of 1973, applicable through 1977, continued authority initiated in the Agricultural Act of 1970 for a cropland set-aside approach for participating producers in the voluntary wheat, upland cotton, and feed grain programs (1974-77 crop years).

Designed to help farmers shift to a market-oriented agriculture, program goals include those (1) to give farmers more opportunity for decision-making on their farms; (2) to protect and improve farmers' income; (3) to keep agricultural production in line with anticipated needs, and (4) to put a greater reliance on the market place as the principal source of farm income.

Under the Act, marketing quotas and penalties are suspended for the 1974-77 crop years for wheat and cotton. As specified in the Act, feed grains include corn and grain sorghum -- and barley, if designated by the Secretary of Agriculture.

The Act established a \$20,000 limit on the amount of payments a person could receive annually under each or combination of the programs. The payment limitation does not apply to commodity loans and purchases available to eligible program participants.

Participants in the voluntary wheat, upland cotton and feed grain programs who meet cropland set-aside requirements, when in effect, can plant all of that particular crop he wishes on the farm's remaining acreage, with the total production eligible for loan and purchase.

In addition, an eligible producer in any of the three programs can plant any crop on the acres remaining after set-aside requirements are met, except those governed by marketing quotas -- peanuts, rice, tobacco, and extra long staple cotton.

In general, set-aside acres must be cropland which is at least equal in productivity to the average productivity of other cropland on the farm and be expected to produce a crop in the absence of a program. The determination of acreage eligibility rests with the ASC county committee.

Cropland Set-Aside for Wheat, Feed Grains and Upland Cotton: In general, set-aside provisions are applicable under the same conditions.

If a set-aside of cropland is in effect, then as a condition of eligibility for loan, purchases, and payments as authorized, the producers on a farm must set aside and devote to approved conservation uses an acreage of cropland equal to a specified percentage of the allotment for the farm as designated by the Secretary.

If a cropland set-aside provision is in effect for any crop year, the Secretary shall permit producers to plant and graze sweet sorghum on set-aside acreage, and may permit, subject to such terms and conditions he may prescribe, all or any of the set-aside acreage to be devoted to hay and grazing, or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye or other commodity, if he determines that such production is needed to provide an adequate supply, is not likely to increase the cost of the price support program, and will not adversely affect farm income.

If a farm has at least 55 percent of total farm cropland in summer fallow, and a set-aside provision is in effect, the farm will be considered to have met the set-aside of the domestic allotment requirement.

Cost-sharing for the control of erosion, insects, weeds and rodents, or for the establishment of wildlife food plots or habitat on set-aside acreage is authorized.

To assist in adjusting the acreage of wheat, upland cotton and the feed grains to desirable goals, the Secretary is authorized, if he deems it necessary, to permit producers to divert cropland acreage in addition to the set-aside requirement and to make payments on this additional land diversion at a rate he determines to be fair and reasonable -- taking into consideration the diversion undertaken by the producer and the productivity of the acreage diverted.

An additional payment may be provided by the Secretary, in an amount he determines to be appropriate in relation to the benefit of the general public, if the producer agrees to permit, without other compensation, access to all or any portion (as determined by the Secretary) of the farm by the general public for hunting, trapping, fishing and hiking.

Marketing Quota and Acreage Allotment Programs

Acreage allotments, through apportioning to individual farms the national acreage considered desirable for planting to a field crop, provide a means of adjusting particular crop supplies closer to national needs. If acreage allotments alone are in effect, farmers who produce the commodity on acreage in excess of their farm acreage allotment are not subject to penalties on the "excess" production of the commodity, but they usually are not eligible for price support.

Marketing quotas are a means of regulating the production and marketing of commodities when supplies become excessive. A national marketing quota is the quantity of a particular commodity that, in general, will provide adequate and normal supplies. This quantity is translated into terms of acreage. The national acreage allotment is apportioned among States, counties and individual farms.

After proclamation of a national marketing quota by the Secretary, quotas are in effect only when approved by a two-thirds majority of producers voting in referendum.

When quotas are in effect, all producers who are not covered by specified exemptions are subject to monetary penalties on marketings from their excess acreage, if the acreage exceeds the farm allotment. Price support privileges are not usually extended to farms with plantings that exceed the allotted acreage.

Under a tobacco acreage-poundage program, in effect on flue-cured tobacco since 1965, poundage quotas as well as acreage allotments apply when the program is approved in referendum by producers. A poundage program is in effect for burley tobacco when approved in referendum by producers.

Under current commodity programs, marketing quotas are in effect for extra long staple cotton, peanuts, rice, and most kinds of tobacco.

Legislative History Summary: The Agricultural Adjustment Act of 1933 provided for the reduction in the acreage or in the production for market, or both, of any basic agricultural commodity through agreements with producers, or by other voluntary methods, on the basis of rental or benefit payments to cooperators.

The designated basic commodities in the 1933 Act were wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products. Subsequent amendments in 1934 and 1935 expanded the list to include rye, flax, barley, grain sorghums, cattle, peanuts, sugarbeets, sugarcane, and potatoes.

Acreage reduction programs under the Triple-A, however, were operated only for cotton, corn, peanuts, rice, tobacco, wheat and the sugar crops through the 1935 crop years.

In January of 1936, the Supreme Court handed down a decision in the Hoosac-Mills case which invalidated the production control programs of the Triple-A that were carried out through agreements and contracts between the Government and individual farmers and financed by processing taxes.

The Soil Conservation and Domestic Allotment Act, approved February 29, 1936, launched a program in March under which farmers were offered soil-conserving payments for shifting acreage from soil-depleting crops to soil-conserving crops. Soil-building payments for seeding soil-building crops on cropland and for carrying out approved soil-building practices on cropland or pasture also were offered

Prewar: Surpluses and declining prices in 1937, particularly for wheat and cotton, put production needs back into sharp focus and, with active participation by farm leaders, the Agricultural Adjustment Act of 1938 was enacted on February 16, 1938. This Act, with many amendments, is still in effect.

The 1938 Act contained amendments which strengthened and broadened the Soil Conservation and Domestic Allotment Act, and provided for marketing quotas for tobacco, corn, wheat, cotton and rice.* Marketing quotas for peanuts were added to the Act in 1941.

The 1938 Act provided for acreage allotments to be proclaimed each year for the designated basic crops, except tobacco. Provision was made for marketing quotas also for any year if the supply of the commodity was excessive.

Acreage allotments and marketing quotas were used for cotton from 1938 to 1941, and for certain types of tobacco for 1938, 1940, and 1941. Acreage allotments, without quotas, were used for corn in the designated commercial corn area from 1938 to 1942. Acreage allotments under the agricultural conservation program were in effect for wheat in 1938, 1939, and 1940, and for peanuts and rice from 1938 to 1941. Quotas and allotments for wheat were proclaimed under the 1938 Act for 1941.

War Adjustments: With the beginning of World War II, the situation changed. While production of basic crops continued large, demand for most commodities far exceeded available supplies.

Acreage allotments for cotton were at first increased and then lifted entirely, together with allotments for corn, wheat and rice; marketing quotas were terminated for the 1942 crop of wheat and for the 1943 crops of wheat, cotton, fire-cured and dark-air cured tobacco and peanuts.

From 1943 to 1949, marketing quotas and allotments were not used as a part of the farm program except for certain kinds of tobacco, which were covered by special legislation during the war years.

Marketing quotas were proclaimed and approved for the 1948 crop of peanuts but were later terminated because of the world shortage of fats and oils.

* The Agricultural Act of 1954 repealed the authority for marketing quotas for corn, but authority for corn acreage allotments was retained. Growers voted to end corn allotments in a referendum on November 25, 1958.

Postwar: From 1945 through 1975, acreage allotments only (marked "A") and marketing quotas, operating through allotments, (marked "M") were in effect for the basic crops as follows:

	1945	'46	'47	'48	'49	'50 ^{1/}	'51	'52	'53
Wheat									
Cotton (upland)									
Cotton (extra long staple)									
Rice									
Peanuts									
Tobacco, major types	M	M	M	M	M	M	M	M	M
Corn (in commercial counties)									
	1954	'55	'56	'57-58	'59-'63	'64-'70	'71-'73	'74-'75	
Wheat (for 1964-70 crops, effective only in commercial wheat States)***....	M	M	M	M	M**	A	A	A	A ^{5/}
Cotton (upland)	M	M	M	M	M	M	M	M	A
Cotton (extra long staple)	M	M	M	M	M	M	M	M	M
Rice									
Peanuts	M	M	M	M	M	M	M	M	M
Tobacco, major types	M	M	M	M	M	M	M	M	M
Corn (in commercial counties).....	A	A	A ^{3/}	A	4/	4/			

* Terminated during year.

** Quotas on wheat voted out for 1963.

*** More than 25,000 acres.

- 1/ In 1950, allotments were also in effect for dry beans and potatoes (commercial); corn allotments were effective only in the "commerical corn area" defined by law.
- 2/ For 1951, wheat and rice allotments were in effect for a time, but were terminated early in 1951; corn allotments were terminated before announcement of the actual allotment.
- 3/ Allotments used only in connection with price-support determination, superseded by larger "base acreages" for commercial corn-producing area.
- 4/ Growers voted to end corn allotments in a referendum on Nov. 25, 1958. A voluntary feed grain acreage diversion program was in effect for corn (with grain sorghum) in 1961, and for corn (with grain sorghum and barley) in 1962, 1963, and 1964. Barley was in the feed grain program in 1965 and 1966, not in 1967 or 1968, was included in the program again in 1969 and 1970, not in 1971, and was included in 1972, 1973, 1974 and 1975.
- 5/ For payment purposes only, if necessary.

Current Programs: Marketing quotas and acreage allotments are presently (1975) in effect for extra long staple cotton, peanuts, rice and most kinds of tobacco.

The Secretary is directed by law (The Agricultural Adjustment Act of 1938, as amended) to proclaim marketing quotas generally when supplies of the specified basic crop are excessive.

Two exceptions to this rule are (1) marketing quotas must be proclaimed each year for peanuts and extra long staple cotton, without regard to the supply situation; and (2) if quotas are once proclaimed for a particular kind of tobacco because of large supplies, legislation requires that quotas be proclaimed for 3 years for that kind of tobacco and that the amount of the quota for the first year of such 3-year period be announced. If tobacco growers have disapproved quotas for 3 years in succession, quotas which would be in effect within the 3-year period for which quotas were disapproved may not be proclaimed unless, prior to November 10 of the marketing year, one-fourth or more of the farmers engaged in production of such tobacco petition the Secretary to proclaim quotas.

The level of supply of the various basic crops at which marketing quotas must be proclaimed, and the dates of the proclamation and the referendum are as follows:

<u>Crop</u>	<u>Proclamation Supply Level</u>	<u>Proclamation Date</u>	<u>Referendum Date</u>
	<u>In excess of:</u>	<u>Not later than:</u>	
Cotton (extra long staple)	Proclaimed each year: supply does not govern <u>1/</u>	Oct. 15	Not later than Dec. 15
Peanuts	Proclaimed each year: supply does not govern	Nov. 30	Not later than Dec. 15
Rice	Normal Supply	Dec. 31	Within 30 days
Tobacco	Reserve supply (normal supply plus 5%) <u>2/</u>	Dec. 1 (flue-cured) Feb. 1 (others)	Within 30 days Within 30 days

1/ Estimated domestic consumption plus estimated exports and stock adjustments, less estimated imports for the marketing year beginning on August 1 following the proclamation of the quota, but not less than the import quota in effect on August 1, 1967 (82,481 bales).

2/ Since quotas have been proclaimed previously for each major kind of tobacco, legislation requires that quotas be announced each year without regard to the supply level.

Quotas may not be used unless at least two-thirds of the eligible producers voting in a referendum approve their use. (Usually, an eligible producer is one who engaged in the production of the crop during the previous year.) Approval by "more than two-thirds" of the voters is required to put acreage-poundage tobacco quotas into effect.

For tobacco and peanuts, the vote is on quotas for 3 years; if growers vote disapproval of quotas, another referendum on 3-year quotas will be held the following year. For other crops, the vote is on quotas for 1 year.

Provision is made for increasing, suspending, or terminating quotas under certain demand and supply conditions, in the interest of consumers, or in national emergencies.

Quotas seek to limit the marketing of the commodity during the marketing year by placing penalties of so much per pound or per bushel on marketings in excess of the quota. The crop grown on the farm allotment acreage may be considered as the farm quota.

Under an acreage-poundage flue-cured tobacco marketing quota program, a farm's penalty-free marketing may be 10 percent more than the farm's effective poundage quota. Any marketings in excess of the farm's effective quota will be deducted from the quota for the following year; if less than the effective poundage quota is marketed in any year, the difference will be added to the farm's quota (both acres and pounds) for the following year only. (Price support is available on the farm's penalty-free tobacco if the harvested acreage for the farm is kept within the acreage allotment.)

A poundage program for burley tobacco was authorized by legislation approved April 14, 1971, if approved by at least two-thirds of the producers voting in referendum. This legislation provides for the establishment of farm marketing quotas for burley tobacco on a poundage basis rather than on an acreage basis. The burley poundage program was approved in referendum on Feb. 25 - March 1, 1974 for the three crop years 1974-1976.

For the first year (1971) of the poundage program, farm marketing quotas were based on the average of each farm's four highest yields during the preceding five years, multiplied by 95 percent of the 1970 acreage allotment.

For subsequent years, farm quotas were to be adjusted as necessary to establish the quota in line with supplies on hand and anticipated demand.

For rice, the producer may postpone or avoid a marketing quota penalty by delivering the "excess" of the crop to the Secretary of Agriculture or storing it in accordance with applicable regulations.

If growers disapprove quotas, price supports for most marketing quota crops may be made available to producers who do not exceed their acreage allotments only at 50 percent of parity and to noncooperators at such levels, not in excess of the level for cooperators, as the Secretary determines will facilitate the effective operation of the program.

If tobacco quotas are disapproved, however, no price support is available for the particular kind and crop for which quotas were disapproved.

Long-Term Land Retirement Programs

Under Title VIII of the Agricultural Act of 1970, long-term land retirement programs, similar to the prior Cropland Conversion and Greenspan Programs, were authorized for the 1971-73 calendar years. Under Title VIII authority, payments could not exceed \$10 million annually for each program.

Prior Long-Term Land Retirement Programs: Contractual agreements on prior long term land retirement programs remain in effect for the following programs:

The Cropland Adjustment Program (which included Greenspan), authorized in 1965, was offered on only a limited scale during 1966 and 1967, with agreements entered into for periods up to 10 years. The program supplemented the annual commodity acreage diversion programs and through Green-span, provided for more open space and other recreational opportunities for urban areas. Specific incentives were offered to farmers if they shared their land facilities with the public (public access). Emphasis was given to the development of hunting and fishing areas through conservation practices designed to foster wildlife. The program was limited to entering into agreements totaling not more than \$225 million in any one year. Existing CAP agreements expire not later than December 31, 1976.

The Cropland Conversion Program, authorized in 1962, was offered on a pilot basis during the period 1963-67, with agreements entered into for periods up to 10 years. The program was designed to improve family farm income by helping farmers convert cropland, that primarily was used for the production of surplus row crops and small grains, to long-range income producing uses, such as forests, grass, water storage, wildlife habitat, or recreational facilities. The law placed a limit of \$10 million on payments made in a calendar year under signed agreements. Existing agreements under this program expire in 1976.